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Russian Federation

Agricultural Situation

Grain and Grain Product Prices

2003

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Report Highlights:

With a lower 2003 wheat crop and relatively strong export pace to date, the domestic market is now finding feed grain availability constricted. As a result, prices for both milling and feed quality wheat have risen. In an attempt to limit the negative impact on consumers, the government will impose export tariffs on several grains in January to supplement other policy measures already taken by some regional authorities.

Includes PSD Changes: No
Includes Trade Matrix: No
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Executive Summary

As supplies tighten on the internal market, grain prices continue to increase. This increase is led by milling quality wheat, which has reached about 5,500 rubles (US\$188) per metric ton in some regions. This short supply in general has not only affected bread consumers, but also the livestock industry, as wheat is often a component of animal rations. In fact, greater demand for all wheat types has bid up feed wheat prices to nearly those for food quality.

Local administrations have attempted to curb the bread price increase with limited success, and the Federal government has taken an increased role through a temporary wheat and rye export duty of 25 Euros per metric ton to be implemented in January (for more information on this measure, please see GAIN reports RS3052 and RS3054).

Grain Prices Move Up

As demonstrated in Table 1, grain prices in all regions have been increasing during the fall and into the beginning of December. According to Russian Grain Union data, milling quality wheat prices have increased from about 15 percent in the Volga Valley to almost 24 percent in the North Caucasus region. Dollar-denominated prices have been increasing even faster, making Russian wheat and rye less competitive on world markets.

Table 1. Average Regional Offer Prices for Grains

	Sept. 22, 2003		Oct. 6, 2003		Nov. 11, 2003		Dec. 8, 2003		Sept. 22 to Dec. 8	Sept. 22 to Dec. 8
	Ruble	USD	Ruble	USD	Ruble	USD	Ruble	USD	ruble price percentage change	USD price percentage change
Milling Quality Wheat										
Central Black Earth Economic Region	4500	147.3	4500	147.7	4950	165.9	5350	181.0	+18.8	+22.9
Volga Valley Economic Region	4450	145.6	4450	146.0	4700	157.6	5100	172.6	+14.6	+18.5
North Caucasus Economic Region	4400	144.0	4600	151.0	5050	169.3	5450	184.4	+23.9	+28.0
Ural Economic Region	4000	130.9	4000	131.3	4350	145.8	4800	162.4	+20.0	+24.1
West Siberia Economic Region	3900	127.6	3950	129.6	4300	144.2	4750	160.7	+21.8	+25.9
Feed Quality Wheat										
Central Black Earth Economic Region	3650	119.4	3650	119.8	3950	132.4	4350	147.2	+19.2	+23.3
Volga Valley Economic Region	3250	106.3	3250	106.7	3650	122.4	4100	138.7	+26.1	+30.5
North Caucasus Economic Region	3800	124.3	3800	124.7	NA	NA	4350	147.2	+14.5	+18.4
Ural Economic Region	3150	103.1	3150	103.4	3350	112.3	3950	133.7	+25.4	+29.7
Rye										
Central Black Earth Economic Region	2550	83.4	2850	93.5	4000	134.1	4450	150.6	+74.5	+80.6
Volga Valley Economic Region	2550	83.4	2650	87.0	3500	117.3	3900	132.0	+52.9	+58.3
Ural Economic Region	2150	70.4	2600	85.3	3300	110.6	3950	133.7	+83.7	+89.9
Fodder Barley										
Central Black Earth Economic Region	2950	96.5	2600	85.3	2800	93.9	3100	104.9	+5.1	+8.7
Volga Valley Economic Region	2950	96.5	2600	85.3	2850	95.5	3100	104.9	+5.1	+8.7
North Caucasus Economic Region	3250	106.3	3250	106.7	3400	114.0	3450	116.8	+6.2	+9.9
Ural Economic Region	NA		NA		2400	80.5	2950	99.8	NA	NA
Ruble/USD exchange rate		30.56		30.47		29.83		29.55		

Source: Bulletin of the Russian Grain Union

Notes: Milling quality wheat is Russian 3rd class, 23% gluten. Price data includes VAT that, for exported grain, is later reimbursed to the exporters. This process usually takes several months. Prices in rubles or dollars per metric ton at elevator.

High current domestic prices for wheat and rye, plus significant transportation and freight expenses, have already created disincentives to export these grains. When the 25 Euro export duty takes effect in January, trade will in all likelihood be prohibitively expensive, as the ruble cost of exported milling quality wheat will increase by 15-19 percent, feed wheat by 17-19 percent, and rye by 17-19 percent.

However, the export tariff's ability to stabilize the market is not certain, as a number of other economic factors will influence prices. Among these factors are the structure of stocks next spring (milling quality vs. feed quality), Kazakhstan's grain export policies, and demand by the livestock and poultry sectors. Some specialists estimate that by next March, feed quality wheat reserves will be exhausted, and more milling quality wheat will be fed to poultry. This could push wheat prices past 6,000 rubles per metric ton.

Table 2. Russia Average Flour, Bread, Cereals and Pasta Prices

	Wheat flour	Rye and wheat-rye bread	Bread and bakery products made of wheat flour	Rice	Millet cereal	Pasta (vermicelli)	Milling Wheat, 3 rd class	Milling Wheat, 4 th class
September-November, 1999	8.58	5.79	11.00	21.54	8.98	12.71	NA	NA
September 2002	8.12	9.05	10.54	15.63	9.05	17.75	2.40	1.50
October 2002	8.08	9.08	10.59	15.58	9.32	17.82	2.40	1.50
November 2002	8.05	9.12	10.61	15.61	9.57	17.87	2.11	1.45
December 2002	8.04	9.14	10.65	15.69	9.78	17.90	2.30	1.61
January 2003	7.94	9.22	10.71	15.73	10.00	17.03	2.61	1.63
February 2003	7.96	9.32	10.79	15.84	10.64	17.13	2.63	1.82
March 2003	7.99	9.38	10.84	15.88	11.61	17.19	2.89	2.20
April 2003	8.04	9.52	10.99	15.86	12.60	17.27	3.07	2.32
May 2003	8.22	9.77	11.30	15.81	13.61	17.39	3.30	2.54
June 2003	8.84	10.26	11.92	15.81	14.54	17.60	3.40	3.03
July 2003	9.35	10.47	12.21	15.83	15.85	17.89	3.78	2.23
August 2003	9.57	10.59	12.36	15.84	17.18	18.10	4.01	3.75
September 2003	9.82	10.93	12.80	15.89	18.14	18.27	4.20	3.80
October 2003	10.65	11.58	13.53	15.96	18.14	18.47	4.58	4.14
November 2003	11.11	11.86	13.84	16.12	17.42	19.18	4.98	4.54
Nov. 02 to Nov. 03 percentage change	+38.0	+30.0	+30.4	+3.3	+82.0	+7.3	+136.0	+213.1
Jan. 03 to Nov. 03 percentage change	+39.9	+28.6	+29.2	+2.5	+74.2	+12.6	+90.8	+178.5
Sept. 03 to Nov. 03 percentage change	+13.14	+8.51	+8.13	+1.45	-3.97	+4.98	+18.6	+19.5

Source: Torgovaya Gazeta. Prices in rubles per kilogram

Note: Wheat prices are calculated on the basis of Interfax's wheat prices for European Russia

Trends in Flour, Bread and Cereals Prices

As shown in Table 2 above, the continued rise in wheat and rye prices influenced growth in other grain prices during the September to November 2003 period, albeit at a slower rate than for milling quality wheat.

Table 3. Consumer Price Changes for Flour, Bread, and Cereals from September 2003 to November 2003, in percent, by region

	Wheat flour	Rye and wheat-rye bread	Bread and bakery products made of wheat flour	Rice	Millet cereal	Pasta (vermicelli)
Belgorod oblast	9.69	0.55	1.76	-0.36	-22.08	5.00
Bryansk oblast	9.53	10.82	8.02	1.03	-18.50	7.77
Voronezh oblast	10.92	15.58	13.89	-0.07	-21.30	12.34
Kostroma oblast	11.86	10.27	11.53	1.49	-20.95	7.46
Lipetsk oblast	6.51	11.53	7.04	-1.43	-11.46	6.20
Ryazan oblast	20.70	12.59	14.92	0.35	-25.54	4.20
Tula oblast	8.19	9.77	15.23	1.38	-0.95	4.66
Moscow City	6.34	10.33	7.51	0.53	3.67	1.54
Komi Republic	17.20	7.69	20.35	1.54	10.74	3.64
Arkhangelsk oblast	11.80	21.16	22.91	-0.50	-1.15	6.44
Murmansk oblast	15.82	3.20	0.78	2.76	1.70	1.72
Novgorod oblast	23.85	19.74	13.57	1.09	0.56	6.49
St.Peterburg	16.15	9.14	7.91	3.38	2.64	4.77
Krasnodarsk Kray	4.66	7.44	2.79	-3.03	-2.41	2.07
Stavropolsk Kray	7.64	2.69	8.02	2.73	3.16	5.71
Astrakhan oblast	14.71	17.23	11.43	1.47	-1.45	9.47
Republic of Tatarstan	23.97	8.80	8.64	0.55	-8.62	10.00
Chuvashiya Republic	17.08	21.62	9.81	2.91	1.81	4.95
Kirov oblast	14.18	22.76	22.11	6.73	-3.43	10.47
Nizhniy Novgorod oblast	10.25	1.28	-0.07	4.20	-24.88	5.82
Perm oblast	16.24	8.76	11.32	3.84	-10.47	7.86
Samara oblast	13.09	7.17	7.31	2.79	-3.72	1.94
Ulyanovsk oblast	17.95	16.40	12.02	3.90	-22.61	4.62
Sverdlovsk oblast	22.10	11.18	15.03	4.68	18.40	5.69
Tyumen oblast	13.60	5.39	3.54	3.14	8.87	6.76
Chelyabinsk oblast	21.23	10.20	11.13	4.60	10.72	5.12
Krasnoyarsk Kray	9.43	6.89	8.59	2.69	5.66	6.26
Irkutsk oblast	14.88	6.20	6.09	2.70	13.92	5.18
Kemerovo oblast	10.09	4.17	0.00	1.34	-3.76	2.23
Novosibirsk oblast	16.39	11.39	4.53	4.07	1.52	3.67
Omsk oblast	14.86	-2.02	4.49	1.25	-9.57	9.14
Primorskiy Kray	25.74	8.97	16.49	1.78	5.20	3.52
Khabarovsk Kray	28.54	18.20	18.41	4.47	-2.47	6.69

Source: Torgovaya Gazeta

According to Table 3 above, wheat flour prices in the Black Earth Region (Belgorod, Voronezh, and Lipetsk) increased by 28-44 percent from September 2002 to September 2003, and increased by another 7-11 percent from September 2003 to November 2003. Only millet prices decreased in most oblasts after the sharp rise from September 2002 to September 2003.

Policy

In the current marketing year, the major policies affecting grain and grain product prices have been implemented by local, not federal, officials. In Omsk oblast, bread prices decreased when the authorities allocated five million rubles from the oblast budget to create a regional grain fund. In Altay Kray, the major grain producer in West Siberia, 5,000 tons of grain from the regional fund was allocated to a flourmill. This additional supply helped to hold down growth in bread prices. In general, supplying extra wheat from the regional funds to the market did dampen the rise in bread prices. However, by spring many regional grain funds will be empty, limiting the ability of regional authorities to manage prices.